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SIPDIS

DEPT FOR EUR/NB, EUR/RPM
OSLO FOR DATT
OSD FOR OSD-P (FENTON)
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NORTHCOM FOR PLANS, POLICY & STRATEGY (CARDWELL)
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TAGS: [PREL](#) [MARR](#) [MOPS](#) [PGOV](#) [NATO](#) [AF](#) [IC](#)

SUBJECT: U.S.-Iceland Security Dialogue: Icelandic Defense Policy
Still in Flux

Classified by CDA Neil Klopfenstein for reasons 1.4 (b),(d).

REFS: A) 08 STATE 63686

¶1. (C) Summary: Expert-level Security Dialogue talks in Reykjavik June 16 found broad agreement on the bilateral defense relationship. Both sides agree on the importance of a new NATO Strategic Concept, which Iceland hopes will contain language on the significance of the High North. Iceland reiterated its commitment to meeting its NATO obligations at home and in Afghanistan despite budget cuts and an ongoing review of defense policy. Iceland Air Defense System radar transfer issues will be reviewed in FY10, and reestablishing a data link to NORAD/NORTHCOM is under discussion. Both sides agreed to move to a biannual schedule for NORTHERN VIKING exercises. Iceland was urged to look at niche capabilities where it might contribute in Afghanistan. The next round of talks in 2010 is planned for Washington. End Summary.

NATO and the High North

¶2. (C) Icelandic and U.S. representatives met June 16 in Reykjavik for annual working-level Security Dialogue talks. In her opening remarks, Ministry for Foreign Affairs Political Director Greta Gunnarsdottir, the Icelandic Delegation Head, said Iceland wanted to ensure that the security agenda between the U.S. and Iceland stayed robust, and noted that the meeting's planned discussion was a good reflection of this effort. Turning to NATO issues and High North policy, the first agenda item, Gunnarsdottir said Iceland was very pleased with the Strasbourg-Kehl Summit and its success in reaffirming the strength of the Alliance. She said the decision to revisit the Strategic Concept was a key outcome for Iceland. DAS Garber agreed, noting several additional important results from the U.S. perspective: Allies' endorsement of the new Afghanistan strategy; a reconfirmed sense of family and common values among the Alliance; the return of France to the military command; the accession of Albania and Croatia and the message that NATO's door remains open; and the consensus built on a transatlantic approach to Russia ahead of the upcoming NATO-Russia Council meeting.

¶3. (C) Looking specifically to the High North, Foreign Affairs Advisor to the Icelandic Prime Minister Amb. Sturla Sigurjonsson said that Iceland was pleased to see a new Secretary-General coming from the Nordics. Though both the SecGen and the new Strategic Concept need to reflect the needs of all Alliance members, it is important that the new document contain some language on the High North as an

area of interest to NATO. Gunnarsdottir built on this assessment, reviewing recent Icelandic Government efforts to draw attention to the region. Beginning with the NATO Seminar on the High North in Reykjavik in January 2009 and a government report from April on Iceland in the Arctic, Iceland has tried to highlight the policy challenges stemming from climate change and increased resource exploitation in the area. Iceland still wants to see the Arctic Council remain the primary venue for Arctic issues, but NATO must also play a role. Gunnarsdottir also asked about plans for U.S. ratification of the UN Convention on the Law of the Sea (UNCLOS), which Iceland considers very important.

14. (C) DAS Garber commented that the U.S. and Icelandic approaches to the High North are very much in line with each other. As for UNCLOS ratification, the Administration is in favor but there is not yet progress in the Senate on ratification. Sigurjonsson added that Iceland is not looking for increased militarization of the High North, but wants to increase NATO "situational awareness" of what is going on in the region. This is important to maintain Alliance focus as well as public support.

15. (C) Gunnarsdottir opened discussion of the NATO Strategic Concept by stating Iceland's hope that the exercise will prioritize tasks for the Alliance as well as recommit Allies to the NATO mission. The process of drafting the document can also be an important rallying point to reenergize public support. However, she noted, it is important to reiterate the importance of Article 5 and strike a balance between the traditional NATO Area of Responsibility and out-of-area operations. In this vein, smaller Allies' concerns about the process need to be addressed -- there needs to be common ownership of the final document, even if only a restricted group is

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involved in the drafting. Garber agreed that the drafting process will be very important in building support for the final document, but reiterated that the SecGen needs to own the process. We have said we want the drafting effort to be as consultative as possible early on, but we have concerns that a document drafted "at 28" will not truly be a Strategic Concept.

Russia

16. (C) On Russia, both sides observed that Russian engagement is often uneven, and that while dialogue in the NATO Russia Council is important, it is equally important for Allies to remain united. It was noted that the Russians are very skillful at exploiting political divisions within the EU and NATO, and it is therefore critical for us to hold to our key principles on the indivisibility of security and the rejection of spheres of influence. Sigurjonsson said Iceland does not want to exaggerate the importance of increased Russian military activity near Iceland, including new, more provocative flight patterns, but it is important that NATO respond and maintain its capabilities accordingly. DAS Garber commented that the US position is that the current European security institutions are working well, and that in Corfu and beyond we will not be looking to replace the current architecture. Gunnarsdottir concurred, though adding that in bilateral consultations with Russia the previous day, Icelandic officials heard clearly that Russia does not believe the present security structure meets its needs. Still, Russian officials have been less than forthcoming on details for their proposals of a new European security institution, almost as if they have been waiting for the rest of Europe to give them something substantive in response. LtCol Anne Marie Fenton, OSD-Policy, noted that it is important for Iceland to try to move the Russians in a productive direction, which DAS Garber seconded. (Note: Meeting participants were informed later in the meeting that Russian Tu-95 bomber aircraft had just entered the Icelandic air traffic control sector on an unannounced long range aviation exercise. End Note.)

Icelandic Defense Policy: Under Review

17. (C) MFA Defense Department Director Thordur Aegir Oskarsson and Icelandic Defense Agency (IDA) Director Tinna Vidisdottir provided an overview of Icelandic defense policy with a significant major caveat:

the new government that took office after the April elections has called for a review of IDA operations and the NATO air surveillance mission in Iceland. Despite the fact that much is still undecided -- and added pressure of state budgetary cuts required by Iceland's economic crisis -- the Foreign Minister has committed to fulfilling Iceland's defense and security obligations. Simultaneously, the government plans to carry out a policy-based review of the report produced by an MFA-appointed Threat Assessment Committee in 2008. While the previous report was descriptive in nature, this effort will be focused on policy prescriptions in an effort to prepare the ground for the upcoming budget, Oskarsson said. While acknowledging the uncertainty of Iceland's situation, the U.S. side noted the importance of the government maintaining its commitments to NATO, both in Iceland and further afield. In particular, maintenance and operation of NATO assets is key to retain the Alliance's capability to deploy to Iceland.

18. (C) Discussion of Iceland's cooperation with neighboring states focused primarily on the report commissioned by the Nordic Foreign Ministers on defense and security cooperation, known generally as the "Stoltenberg Report" after its author, former Norwegian Foreign and Defense Minister Thorvald Stoltenberg. Gunnarsdottir said the report had been very well-received and contained a number of good recommendations, though it also covered many areas in which the Nordic countries are already working well together. It is important to carefully map out those areas to avoid duplication of existing efforts. Iceland was particularly impressed by the report's statements on the importance of the Arctic, the idea of joint Nordic diplomatic missions abroad, and the suggestion that Nordic countries (including non-NATO states) participate in the air surveillance mission over Iceland as well as the U.S.-Iceland NORTHERN VIKING exercises. Sigurjonsson was careful to clarify that the Icelandic Government views the suggestions in the report as a supplement to Iceland's activities with NATO, not as a replacement. DAS Garber

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noted U.S. support for the idea of closer security cooperation among the Nordics, particularly if it provides a boost to efforts to cut costs and improve military capabilities in the region.

Bilateral Initiatives: IADS, Exercises, Coast Guard

19. (C) A review of specific activities in bilateral defense cooperation focused on the status of the Iceland Air Defense System (IADS), planning for exercise and defense events for 2009-2013, the status of the Military Representative Billet at U.S. Embassy Reykjavik, and the relationship between the Icelandic and U.S. Coast Guards. On IADS, both parties agreed that due to the Icelandic financial situation, action on the final transfer of U.S.-owned equipment will be deferred until Fiscal Year 2010. Although no political decision has been taken on upgrades, Iceland's NATO Mission in Brussels is exploring the technical issues related to possible NATO-funded upgrades in 2011-2015 as part of Alliance adoption of a next-generation radar system. Iceland is also very interested in reestablishing the data link between IADS and U.S. NORTHCOM/NORAD, which Iceland Defense Agency reps and a representative of NORTHCOM discussed on the margins. Some operator-level discussions on this point have already taken place.

110. (C) IDA Head of Strategic Planning Fridrik Jonsson thanked the U.S. for a successful September 2008 deployment of fighter aircraft for NATO air policing in Iceland. Iceland is also happy to hear that the U.S. has committed forces for a planned 2010 rotation. On NORTHERN VIKING exercises, there was agreement from both sides to shift from the annual schedule laid out in the 2006 Joint Understanding to a biannual schedule, with 2009 as an off year. U.S. EUCOM Joint Training Readiness and Exercises Representative LTC Bill Crossen outlined a proposed five-year plan for defense engagements, with two events planned per year in addition to scheduled air policing deployments in odd years. Exercise NORTHERN VIKING will be held in 2010 and 2012, and beginning in 2011 U.S. Army Europe will also look to participate in the Icelandic Coast Guard's NATO NORTHERN CHALLENGE explosive ordnance disposal (EOD) exercise. Both sides agreed that the Stoltenberg Report's suggestion of Nordic participation in NORTHERN VIKING and/or the air patrolling mission

would be a positive addition.

¶11. (C) On the MilRep position at Embassy Reykjavik, OSD-Policy Representative LtCol Fenton reviewed CDR EUCOM General Craddock's decision to support the creation of a permanent billet, but noted that the modalities are still being worked out. In the interim, EUCOM will fill the position in FY10 with an activated reservist. Icelandic Coast Guard (ICG) Director Georg Larusson then briefed on moves to boost ICG capabilities, including the acquisition of a new fixed-wing aircraft and patrol vessel as well as Iceland's chairmanship of the North Atlantic Coast Guard Forum (NACGF). Iceland will host the NACGF Plenary in Akureyri in September 2009, where Norway will take over as Chair. Both sides voiced support for continued exchange, building on the ICG-USCG Memorandum of Understanding from 2008, though Larusson cautioned that the ICG is under tremendous financial pressure and may need to adjust participation accordingly.

Global Issues: Financial Crisis, Afghanistan-Pakistan

¶12. (C) The MFA provided a briefing on the Icelandic economic situation and the government's response to the financial crisis, with a particular focus on the recently-negotiated agreement on deposit guarantees for the Icelandic-owned Icesave banks in Britain and the Netherlands. Of note, Chief Negotiator for Trade Agreements Einar Gunnarsson estimated that the sales of other bank assets would, even by conservative estimates, cover a large portion of the guarantees, possibly as much as 75 percent. Additionally, Gunnarsson described the government's hope that a way forward can be found in dealing with the creditors of the failed Icelandic banks so that they are awarded an ownership share in the new banks or some other means of profit-sharing in the future.

¶13. (C) Both delegations agreed on the importance of success in implementing NATO's Afghanistan strategy, and Gunnarsdottir emphasized that despite budget cuts, Iceland does not intend to drop

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its level of support for the ISAF mission. Garber welcomed this statement, and Fenton noted that the Icelandic Coast Guard's EOD expertise would provide a great potential contribution to needs in Afghanistan. Additionally, better civil-military integration is necessary, and Garber and Fenton urged Iceland to look at ways to assist in this regard in areas where Iceland may have niche capabilities. Garber welcomed the Icelandic delegation's interest in possible Afghanistan-specific consultations. In response to a question on public support for the Afghan mission, Gunnarsdottir noted that the Icelandic public has largely turned inward following the economic collapse. Support for foreign involvement in general has dropped, not just in Afghanistan. That said, the Left-Green Movement, formerly the party most opposed to Iceland's contribution to NATO in Afghanistan, has mitigated its comments since coming into government in February.

¶14. (SBU) The two delegations agreed to hold the next round of expert-level talks in Washington, D.C., though the Icelandic side also urged that planning begin for a coming round of senior-level talks.

¶15. (U) Meeting Participants:

U.S.:

- EUR DAS Judy Garber, Head of Delegation
- LtCol Anne Marie Fenton, USAF, Office of the Under Secretary of Defense for Policy
- Stephen Wheeler, Iceland Desk Officer, EUR/NB
- LTC Bill Crossen, USA, U.S. EUCOM Joint Training Readiness Exercises
- Capt Brian Driggers, USAF, Iceland Desk Officer, EUCOM J-5
- Barry Cardwell, Deputy Chief, Strategy and Policy Division, Plans, Policy and Strategy Directorate, U.S. NORTHCOM/NORAD
- Neil Klopfenstein, Charge d'Affaires, Embassy Reykjavik
- Brad Evans, A/DCM, Political Officer, Embassy Reykjavik
- CDR Patrick Geraghty, USN, Military Representative and Assistant to the Defense Attache, Embassy Reykjavik

Iceland:

--Amb. Greta Gunnarsdottir, Ministry for Foreign Affairs Director
General for International and Security Affairs
--Amb. Thordur Aegir Oskarsson, Director, MFA Department of Defense
--Amb. Sturla Sigurjonsson, Foreign Affairs Advisor to the Prime
Minister
--Thorunn Hafstein, Ministry of Justice Acting Permanent Secretary
--Ellisif Tinna Vidisdottir, Director, Iceland Defense Agency
--Fridrik Jonsson, IDA Head of Strategic Planning and Exercises
Section
--Jon Gudnason, IDA Air Command and Control Manager
--Georg Larusson, Director General, Icelandic Coast Guard
--Harald Johannessen, National Commissioner of Police
--Ingibjorg Rafnar Petursdottir, Desk Officer, MFA Department of
Defense

Klopfenstein